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1992 State Fiscal Prospects

by Paul G. Merski and Gregory S. Leong

A new Tax Foundation survey of the 50 states reveals that nearly half will wrestle with record deficits in fiscal year 1992 and plan to combat them with new and higher taxes. Of the $11.1 billion in new taxes proposed, five states account for 68 percent of the revenue: California, Connecticut, New York, Pennsylvania and Texas. (See tables 1 and 2 for tax proposals and table 3 for general fiscal priorities.) Each of these five states face an FY'92 deficit well over one billion dollars. The largest is projected in California—$12.6 billion. New York is $7.6 billion short, while Pennsylvania and Connecticut will face shortfalls estimated over $2.5 billion. Texas faces a $4.5 billion deficit for its 1991-93 biennial budget.

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The nationwide recession has made a mockery of state revenue estimates. In particular, low corporate profits and weak personal consumption expenditures have stunted corporate income tax and sales tax revenues. While some states plan to limp by with measures such as accelerating tax collections, increasing fees, eliminating tax credits and extending temporary tax hikes, the magnitude of anticipated budget shortfalls has caused many to tap the big three state revenue sources — sales, individual and corporate income taxes. Last year's federal increases on gasoline, alcohol, and cigarettes have reduced states' willingness to raise more of their own tax revenue from those sources.

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On the personal income tax front, more than a third of the states have tax hikes on the drawing board that will net $5.1 billion. Connecticut and Tennessee, which currently levy income taxes limited primarily to interest and dividend income, are eyeing broad-based individual income taxes. Texas, one of only seven states which share the distinction of having no individual income tax, has plans that would reduce this select group to six. New Jersey and Rhode Island have already enacted increases in June 1990 and February 1991 respectively, effective in FY'92, and two more states, Kansas and Vermont, are seeking rate increases. Arkansas and South Carolina are alone in proposing reductions in personal income taxes by either narrowing the base or lowering the rate.

Table 1

Proposed Fiscal 1992 Net Tax Increases by Major Type of Tax

($ Millions)

Tax	Net Amount
Personal Income	$5,145.7
Business	1,340.2
Sales and Use	630.5
Motor Fuel	723.6
Cigarette and Tobacco	408.4
Alcoholic Beverage	205.6
Property	45.0
Miscellaneous	1,226.0
Total*	$11,084.0

* Includes $1,359 million in proposed tax increases that are unallocable by type: $200 million in Illinois, $456 million in Missouri, and $703 million in Tennessee.

Businesses are the next most popular target for state tax raisers this year as 16 states plan to extract $1.3 billion in FY'92 revenue from them. Five states — Arkansas, Kansas, Kentucky, New Hampshire and Pennsylvania — are seeking higher rates, while Minnesota, Oregon, and Wisconsin are proposing to broaden their bases.

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Rhode Island has imposed an 11 percent business corporation surtax for investment companies in addition to the basic business corporation tax, and New York joins Illinois in considering permanent extensions of expiring increases. Texas would replace the corporate franchise tax with an 8 percent income tax.

On the other hand, Arkansas, Connecticut, and West Virginia are planning reductions in corporate rates. Connecticut would replace the 20 percent corporate surcharge with an 11.5 percent rate.

General Sales Taxes on the Rise

At least thirteen states are considering changes in their general sales tax with potential revenues of $630 million. Five states — Arkansas, Kentucky, Maryland, North Carolina, and Vermont — are proposing higher sales taxes. Five more states — Kansas, New York, Pennsylvania, Texas, and Wisconsin — are contemplating broadening the taxable base to include more items such as snack foods, professional services, interstate phone calls, and cable television. California will eliminate a number of sales tax exemptions on items such as snack foods and periodicals. Connecticut, which currently has the highest rate, will consider the most dramatic change in the general sales tax, reducing it from 8 percent to 4.25 percent. Georgia will also seek lower sales taxes by providing a series of food tax credits.

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Excise Taxes

The so-called "sin taxes," mainly on tobacco and alcohol, are targets for new and higher taxes in several states despite the recent federal excise tax hikes. Ten are weighing increases in tobacco excises: Arkansas, Maryland, Minnesota, Missouri, Montana, New Hampshire, North Dakota, Pennsylvania, Texas, and Vermont. Utah has already increased its cigarette tax 3.5 cents to bring in an additional $3.6 million. California, Minnesota, and North Carolina are asking for higher alcohol excises, and eight other states — Arkansas, Connecticut, Hawaii, Idaho, New Hampshire, New York, North Dakota, and Rhode Island — are looking to increase motor fuel and crude oil taxes that could bring in an additional $724 million in revenue.

"Last year's federal increases on gasoline, alcohol, and cigarettes have reduced states' willingness to raise more of their own tax revenue from those sources."

In addition to these proposed tax changes, many states are re-examining property taxes. The majority of these reforms are efforts by the states to balance the increase in other taxes. Reforms include tax relief plans in the form of credits, rate reductions, and shifts of the property tax burden from commercial to residential taxpayers.

Fiscal Prospects State by State

Alabama

Alabama's legislature is faced with an estimated budget deficit over $100 million in fiscal year 1991 which ends on September 30, 1991. In FY'92, top priorities include tax and education reform. The legislature will also address proposals concerning the hazardous waste taxes and higher cigarette excises. Spending on corrections is projected to increase 5.7 percent, faster than any other category of expenditure in FY'92.

Alaska

No significant tax changes are expected in Alaska for FY'92. The House passed a $2.12 billion operating budget on March 27 that is $140 million more than Governor Hickel's proposed budget. The difference between the two is largely due to education funding. FY'92 spending for Medicaid programs is expected to outpace all other expenditures, increasing 20 percent.

Arizona

FY'92 revenues are expected to increase $216 million in Arizona, up 6.4 percent, while expenditures increase $181 million, up 5.4 percent. General government expenditures will be the fastest growing component of the state's budget, climbing 7.2 percent. The state's top fiscal priority for FY'92 will be maintaining a balanced budget. The legislature plans to cap the distribution of sales and income taxes to cities at FY'91 levels in hopes of increasing state revenues by $18 million.

Arkansas

The Arkansas legislature adjourned in March after approving a series of tax bills. The

sales and use tax rate was increased from 4 percent to 4.5 percent. The increase is effective May 1, 1991 and is expected to raise $159 million in additional revenue. Corporate income tax rates were boosted from 6 percent to 6.5 percent for those corporations earning more than $100,000 per year. The state also raised the cigarette tax from 21 cents to 22 cents. Earlier in the year, lawmakers increased the state excise taxes on gasoline and motor fuels. The additional tax changes will raise an estimated net revenue of $243.6 million in FY'92. Like many states, Arkansas's top fiscal priority will be education.

California

California faces a $12.6 billion deficit, $3.6 billion for FY'91 ending June 30 with the remainder projected for the following fiscal year. Proposals have surfaced in the legislature in recent weeks to tax the services of lawyers, accountants, architects, etc. This is estimated to reduce the deficit by more than half. Other major tax proposals include eliminating the sales tax exemption for candy and snack foods, increase withholding on lump sum payments to individuals from 3 percent to 6 percent, and increasing alcohol excises. These proposals would yield an estimated $1.8 billion in additional revenues. Other legislation which has recently passed in the House raises the sales tax from 5.0 to 5.5 percent and earmarks half of the revenues generated for school construction.

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Colorado

Colorado expects an $80 million surplus at start of FY'92. Three percent of this is required as reserve. Revenues will increase $109 million while expenditures will increase $104 million. Human services expenditures, which include medicaid, invalid care, and welfare, will grow the fastest at 5 percent. Education, from kindergarten to the high school level, will be the state's top fiscal priority. The legislature is considering a bill that would provide homeowners with a $50,000 homestead property tax exemption and reduce business property taxes. In response to a November ballot initiative that required voter approval of tax and spending increases, the legislature has proposed a bill that would reduce the state's spending limit.

Connecticut

In an attempt to reduce Connecticut's estimated $2.4 billion budget deficit in FY'92, Governor Lowell Weicker has proposed a complete restructuring of the state tax system. Major changes include instituting a broad-based individual income tax, reducing the corporate income tax from 13.8 percent to 11.5 percent, broadening the sales tax base to include more items and services while reducing the rate from 8 percent to 4.25 percent, and increasing the motor fuels tax to 26 cents. Currently, unearned income from dividends, interest income, and capital gains is the only type of income taxed. The net yield of the proposed tax changes is an estimated $589.5 million in additional revenue for FY'92.

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Delaware

Governor Castle plans to sponsor legislation that would require Delaware to earmark new revenue generated from last year's increased cigarette excises for indigent health care. While the state continues to contend with a $17.2 million projected deficit for FY'91, its top fiscal priority will be the continuing maintenance of current services in an environment of modest revenue growth. Education spending is expected to outpace general expenditures, increasing over 5 percent. The legislature is expected to increase

Table 2

Fiscal 1992 State Revenue Proposals by Type of Revenue and Net Increase or Decrease

($ Millions)

State	Personal Income Taxes	Business Taxes	Sales and Use Taxes	Motor Fuels Taxes	Tobacco Taxes	Alcohol Taxes	Property Taxes	Miscellaneous Taxes	Total Net Revenue
Alabama									
Alaska									
Arizona									
Arkansas*	-14.2	12.0	159.0	86.8	+*			35.0	278.6
California*	80.0	290.0	384.0			190.0		823.0	1,767.0
Colorado									
Connecticut	2,073.0	-55.0	-933.0	30.5				-526.0	589.5
Delaware									
Florida									
Georgia	-30.0								-30.0
Hawaii				67.1					67.1
Idaho				18.0					18.0
Illinois*	+	+							200.0
Indiana									
Iowa	71.0								71.0
Kansas*	6.5	109.0	13.3						128.8
Kentucky	350.0	45.0	200.0						595.0
Louisiana									
Maine									
Maryland	32.0		45.6		12.5				90.1
Massachusetts									
Michigan									
Minnesota	36.1	2.7			79.7	11.0		-0.1	129.4
Mississippi									
Missouri	+	+	+		+				456.0
Montana	10.0				2.8				12.8
Nebraska									
Nevada		120.0							120.0
New Hampshire		13.8		11.0	0.4			5.0	30.2
New Jersey									
New Mexico			12.0				45.0		57.0
New York	400.0	45.0	81.0	500.0				90.0	1,116.0
North Carolina*			242.0			4.6			246.6
North Dakota				6.0	1.5			1.0	8.5
Ohio*			97.0						97.0
Oklahoma									
Oregon	4.0	8.0							12.0
Pennsylvania		334.0	288.0		300.0			773.0	1,695.0
Rhode Island	101.2	5.0		4.2					110.4
South Carolina*	3.3							1.5	4.8
South Dakota									
Tennessee	+								703.1
Texas	2,000.0	400.0							2,400.0
Utah					3.6			0.5	4.1
Vermont	22.8		38.1		2.7				63.6
Virginia									
Washington									
West Virginia*		7.8						-1.5	6.3
Wisconsin		2.9	3.5					24.6	31.0
Wyoming									
Dist. of Columbia					5.2				5.2
Totals	$5,145.7	$1,340.2	$630.5	$723.6	$408.4	$205.6	$45.0	$1,226.0	$11,084.0

+, – Indicates rising or falling taxes for which there is no specific estimate by category.

Arkansas - Miscellaneous taxes include $5 million from insurance tax increase and $30 million from a 15% excise on Medicaid payments.

California - Some local revenues included. Miscellaneous revenues include revision of license fee depreciation schedule.

Illinois - Proposal plans to indefinitely extend expiring increases in personal and corporate income tax rates.

Kansas - Revenues of $6.5 million are net of $8.5 million loss in revenues from a change in retirement income taxation.

North Carolina - 1/2 Cent local options sales tax to replace current state appropriations for local governments. Revenue from alcohol due from license fee increase.

South Carolina - Personal income revenue includes a $6.7 million reduction in revenues from phasing down the income tax rate under past legislation. Revenues will increase $9.4 million due to the repeal of the capital gains exclusion.

Ohio - Revenues generated from the elimination of auto sales tax exemptions, capping of revenues distributed to local governments, and the elimination of discounts for early sales tax payments.

W. Va. - Reductions in corporate income tax rate and utility tax are part of a phase down reductions from earlier legislation. Business taxes are net of $10 million franchise tax to out-of-state businesses and $2.2 million reduction of corporate income tax.

Source: Tax Foundation. Data compiled from state survey of revenue departments, legislative officials, and governors' offices.

taxes but specific proposals remain unknown. The state's general year-end fund balance for FY'92 is projected to shrink by $4.5 million.

Florida

Florida Governor Lawton Chiles has proposed an increase in the hospital income tax from 1.5 percent to 3.5 percent to help bail out the state Medicaid program. The legislature, however, is proposing a similar bill that would increase the hospital tax to 2 percent instead of 3.5 percent. The state, expecting a $1.4 billion budget deficit, will likely draw down its reserves to balance the budget. While no significant tax legislation has yet passed the legislature since it convened on March 4, several bills are pending. Among them is a tax amnesty bill currently in the Senate Finance Committee.

Georgia

Although FY'92 expenditures in Georgia are expected to increase $233 million, the legislature will not consider additional taxes. Instead, the state plans to freeze hiring of personal services and cancel any future salary increases. The legislature has also provided $30 million in tax relief through income tax credits. The largest expenditure increases are expected in corrections, Medicaid and education. Funding of new programs, mainly education, will force the state to shift $47 million to education.

Hawaii

With state revenues outpacing expenditures by more than 8 percent, Hawaii expects to enter FY'92 with a $100 million surplus. Despite the fact that Hawaii already has the highest gasoline taxes in the nation, ranging from 19.8 cents to 27.5 cents in some localities, the state is considering a proposal to increase the motor fuel tax by 16 cents, raising an additional $67.1 million in revenues. Health expenditures are expected to increase 33 percent, up $226 million. Maintaining its fiscal solvency will be the state's top fiscal priority.

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Idaho

The Idaho legislature has passed a bill that will increase the motor fuel excise from 18 cents to 21 cents. The increase is expected to raise FY'92 revenues by $18 million. Expenditures in corrections, growing at 16.1 percent, are expected to outpace all other expenditures. Public education will be Idaho's top fiscal priority.

Illinois

Illinois Governor Jim Edgar, in his state of the state address, invoked a special session urging passage of a cap on local property taxes and a permanent extension of the state's two-year-old 20 percent income tax surcharge. The extension will add approximately $200 million to revenues. Medicaid costs are increasing faster than any other state expenditure. Top fiscal priorities include a balanced budget, Medicaid increases, and education finance.

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Indiana

Governor Bayh of Indiana has adamantly opposed any tax increases in the wake of a $854 million deficit for the 1991-93 biennium. Rising expenditures in corrections and education have contributed significantly to the deficit. The governor has agreed to sign a bill that would temporarily suspend a reduction in the motor vehicles excise tax if the bill is approved by the legislature. Deciding whether to cut spending or raise taxes to balance the budget will be the state's overwhelming fiscal priority in FY'92.

Iowa

The House has passed a bill that would limit the federal deductibility for upper income Iowans, generating an estimated $71 million.

The bill is targeted mostly at Iowans whose incomes exceed $100,000 a year. The Senate has proposed their own version of a FY'92 budget bill that calls for increasing the cigarette excise from 31 cents to 36 cents. The bill is estimated to raise an additional $13 million.

Kansas

Several significant tax bills are pending in the legislature. The Kansas House has approved a bill to increase the state personal and corporate income taxes. The bill, now in the Senate, would raise the top personal income tax rate for those who do not deduct their federal income taxes from 5.95 percent to 8 percent. The changes in the personal income rates are estimated to generate $15 million in FY'92. The top corporate income tax rate would be hiked from 6.75 percent to 7.95 percent, raising an additional $109 million. The additional revenues will be used for property tax relief.

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Kentucky

Governor Wallace Wilkinson of Kentucky has asked for an increase in the corporate income tax rate from 7.25 percent to 8.25 percent and a broadening of the personal income tax base. The governor has also recommended an increase in the state sales and use rate to 6 percent. These tax hikes are estimated to yield $595 million in additional revenues. Major priorities for the state in FY'92 will be education reform and Medicaid.

Louisiana

In a special session, Louisiana lawmakers approved Governor Roemer's request to continue for another year the state's 3 percent sales tax on food, utilities, and nonprescription drugs. As a compromise, the legislature also provided a $50,000 exemption for purchases of agricultural equipment. The special session was held because the legislature cannot approve tax increases in regular sessions during odd-numbered years.

Maine

Maine faces an estimated gap of $930 million between current spending levels and anticipated revenue for the 1991-93 biennial budget. In order to address the current deficit of $178 million, the state plans to tap surplus money from public employee pension funds, advance due dates of state sales and income withholding taxes, delay paychecks for one week, furlough state workers for three days, and lay off approximately 300 workers. Other proposals in the legislature include eliminating the homestead property tax relief program, either increasing the rate or broadening the base of the sales tax, and changing the personal income tax. Maine's major priority for FY'92 is to hold expenditures down without instituting major tax increases.

Maryland

Lawmakers in Maryland recently passed a $11.6 billion budget for FY'92 that included $90.1 million in new taxes, avoiding mass layoffs and reductions in education and social programs. The major tax increases, effective July 1, 1991, include extending the 5 percent state sales tax to cigarettes, increasing the excise tax per pack of cigarettes from 13 cents to 16 cents, applying the sales tax to snack foods, soft drinks, and carry-out meals, and reducing the amount of capital gains excluded from the state income tax. While overall expenditures are expected to increase by 0.6 percent in FY'92, Medicaid expenditures will rise at a 29.6 percent clip.

Massachusetts

The Massachusetts legislature passed a $427 million budget-cutting plan that gives the governor authority to cut additional expenditures and to sell off excess state properties. Governor Weld vetoed two items of the package: a clause that would have reduced the salaries of his cabinet-level officials, and a two-year delay in the implementation of the private-employer mandated health care program. The legislature has proposed a constitutional amendment that

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would permit the implementation of a graduated income tax, although the earliest that a ballot question on it could be put before the voters is 1994. Massachusetts' top fiscal priority will be addressing the state's estimated $1.8 billion budget deficit while staying within the bounds of the governor's policy of no new taxes.

Michigan

Michigan lawmakers are considering several tax proposals that were introduced in the House in mid-March. Many of proposals are aimed at providing tax relief through increased property tax credits, expanded property tax deductions, and expanded business credits against tax payments. One particular plan freezes property taxes for one year and allows voters to decide on an assessment limit. Downsizing the government will be the state's top fiscal priority.

Minnesota

Facing a projected $1.2 billion deficit for Minnesota's 1991-1993 biennium, Governor Carlson's FY'92 budget has recommended nearly $130 million in higher taxes. Proposed tax legislation includes federal conformity of personal and corporate income taxes, increased tobacco excises, and increased alcohol excises. Major issues on the fiscal agenda include restructuring state aid to local units, limiting spending growth, and providing property tax reform.

Mississippi

Governor Mabus recently signed a bill requiring him to prepare his balanced budget using existing revenues rather than proposed revenues. Mississippi is currently $73.5 million short of budget projections. Proposals of tax increases and governmental fees are currently being discussed. The top fiscal priority for the state in FY'92 will be education.

Missouri

The Missouri Senate has approved a $456 million tax package described by Senator Mathewson as "the largest tax package in state history." Major initiatives include increasing the sales tax by 3/8 of a cent to 4.6 percent, capping the individual and corporate federal income deductions, extending permanently the graduated corporate income tax rate, and hiking the cigarette tax from 13 cents to 17 cents. The new revenues will be earmarked for colleges and universities ($247 million), elementary and secondary schools ($185 million), and job development and tourism ($24 million).

Montana

The Montana legislature is proposing an income tax bill that would close various loopholes in the system by replacing the current income tax with a flat tax rate of 30 percent of federal income tax liability. The bill, calculated to be revenue neutral, is more progressive, providing a higher threshold, fewer deductions, and generally lower rates. All of the major tax bills considered have been revenue neutral in order to avoid a promised veto of tax increases by the governor. Other proposals include taxing retirement income and increasing the cigarette excise from 18 to 23 cents per pack.

Nebraska

No major tax legislative changes are expected in Nebraska. Governor Ben Nelson plans to establish a tax policy study group who will review the state tax system to ensure tax fairness. Expenditures in education and public assistance are expected to increase rapidly in FY'92. The state's top fiscal priority will be balancing the biennial budget through FY'93.

Nevada

Governor Bob Miller has proposed a business payroll tax that would yield an additional $120 million in FY'92 revenue. Nevada legislators, however, are considering alternatives such as an extension of the 5 percent state sales tax to professional services, institution of a corporate net profits tax, and further taxes on hotel rooms. The legislature is also seeking to extend the 15 cent increase in the cigarette tax. Education will be the top fiscal priority in FY'92.

New Hampshire

Lawmakers in New Hampshire are considering a variety of tax proposals to help fund the 1992-1993 biennial budget. The most notable proposal is an increase in the business profits tax from 8 percent to 9 percent, estimated to bring in an additional $13.75 million in FY'92. Other proposals include increasing court fees, taxing smokeless tobacco, increasing the motor fuel excise tax by two cents, and reducing the cigarette excise tax by four cents. The state will direct its attention to controlling expenditures while at the same time maintaining the current level of services provided.

New Jersey

After last year's record tax increasing package, no major tax legislative changes are expected in New Jersey. The state will realize $2.4 billion in additional FY'92 revenues generated from FY'91's sales and personal income increases. The state is providing a homestead rebate which will provide approximately $560 million in property tax relief.

New Mexico

Lawmakers in New Mexico have been grappling with various tax measures to balance the FY'92 budget. One of the more popular measures requiring voter approval imposes a property tax that would generate $45 million in new revenues earmarked for educational spending. The governor has also signed a bill which imposes the state sales and use tax on tangible products, amusement services, and some utility services sold by governmental agencies. This is expected to increase annual revenues by $12 million. The state's top fiscal priority will be education, focusing specifically on enrollment growth, teacher salaries, and reform measures.

New York

Facing a $7.6 billion deficit in FY'92, New York Governor Mario Cuomo plans to meet the shortfall with a combination of spending cuts and major tax measures. The governor recently released a plan to tax snack foods, vehicle trade-ins, and boost the vehicle transfer tax. The three measures are estimated to raise an additional $136 million. Other plans in the governor's FY'92 budget include freezing scheduled reductions in personal and corporate income tax rates and increasing taxes on motor fuels, tires, and international telecommunications. These proposals are intended to raise $1.1 billion in additional revenues. Legislative leaders, however, have put forth their own plans, most notably a proposed increase in personal income taxes that would raise approximately $960 million over a fifteen-month period.

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North Carolina

The North Carolina legislature must contend with an estimated $800 million shortfall in FY'92. Facing drastic budget cuts for the university system, the community colleges, and the public schools, state educators are recommending a one percent increase in the sales tax to fund education programs. This proposed hike would raise $500 million, but the legislature has been reluctant to raise taxes. It is looking at another plan to reduce $240 million in state reimbursements. This plan includes four bills that would increase sales and inventory taxes and eliminate state reimbursements to local governments for revenues lost because of tax exemptions or repeals. The state will continue to focus on balancing the budget in FY'92 while concentrating on education, corrections, and human service initiatives.

North Dakota

No tax increases or reductions were proposed in Governor Sinner's budget. The North Dakota legislature, however, is proposing several tax changes. The Senate passed a bill that would increase the state's tax on cigarettes and tobacco products. This would generate slightly over $3 million in revenues for the 1991-93 biennium. Both houses are considering a bill that would raise the fuel tax by one cent per gallon. The $12 million in estimated revenues would be earmarked for petroleum spill cleanups. Lawmakers are also recommending a phase down of the sales tax on natural gas from 5 percent to 2 percent, starting in 1993. The state's top FY'92 fiscal priority will be economic development.

Ohio

Governor George Voinovich of Ohio has recommended a variety of tax changes which include conforming individual income tax withholding to the federal schedule, ending vendors' discounts on the sales tax, and delaying a scheduled increase in the spousal deduction on estate tax. In addition to these revenue raisers, the governor plans to eliminate approximately 80 budget line items, reducing spending by $90 million. Other tax provisions aimed at deficit reduction include eliminating tax credits for capital improvements at racetracks, reducing tax stamp discount on cigarettes by 50 percent, and transferring funds from the "rainy day" fund.

Oklahoma

Oklahoma expects a $138 million surplus

Table 3
States' Top Fiscal Priorities
Fiscal Year 1992

State	Balanced Budget	Tax Reform	Education	Health/ Medicaid	Corrections	Property Tax	Other
Alabama		X	X				
Alaska							Reduce operating expenditures
Arizona	X						
Arkansas			X				Highway financing
California	X						
Colorado			X				
Connecticut							
Delaware							Maintain services
Florida	X						
Georgia				X	X		
Hawaii							Maintain fiscal solvency, public safety
Idaho			X				
Illinois	X	X	X	X			
Indiana	X	X					
Iowa							
Kansas						X	
Kentucky			X	X			
Louisiana							
Maine							Cost containment
Maryland	X						Cost containment
Massachusetts	X						
Michigan							Downsizing state government
Minnesota						X	Limit spending growth
Mississippi	X		X				
Missouri			X				
Montana	X						
Nebraska	X		X	X			
Nevada	X		X	X	X		
New Hampshire							Control expenditures
New Jersey						X	Downsizing state government
New Mexico			X				
New York	X						
North Carolina	X		X		X		Human services
North Dakota							Economic development
Ohio	X						Control spending
Oklahoma			X				Public safety
Oregon			X			X	
Pennsylvania			X				Social services, economic development
Rhode Island							
South Carolina			X				
South Dakota			X				
Tennessee		X	X	X			
Texas			X				
Utah			X	X	X		
Vermont	X						
Virginia			X	X	X		Environmental clean-up
Washington							Increase salaries, avoid tax increases
West Virginia				X			
Wisconsin	X					X	Avoid tax increases
Wyoming			X	X	X		
Dist. of Columbia	X						
Totals	17	4	22	10	6	5	18

for FY'92. Although tax legislative changes are expected, State Finance Director Alexander Holmes has recommended in a special report that Oklahoma continue its trend toward broadening its economic and tax base in the direction of increased independence from gross production taxes on oil and gas and an increased dependence on the state's sales tax. The state will focus on education and public safety in FY'92.

Oregon

Oregon Governor Roberts has proposed a plan to reconnect the personal and corporate income tax bases to the federal base, increasing FY'92 revenues by $12 million. The legislature has focused its attention on a number of property bills. One bill introduced in the House would seek a constitutional amendment applying a 1.5 percent property tax limitation to residential property. Another related measure under consideration would give residential homeowners a break in property tax assessments by limiting such assessments to 75 percent of the property's value. An additional bill on the agenda would eliminate the 2 percent surplus revenue kicker credit which refunds excess income tax revenue to taxpayers. This measure would raise $170 million in FY'92.

"Pennsylvania Governor Casey has also proposed to increase the corporate income tax rate from 8.5 percent to 10.5 percent, raise cigarette excises, broaden the sales tax base to include items such as cable television and interstate phone calls, and raise other miscellaneous taxes. The potential revenues from this tax package are estimated at $1,695 million in FY'92."

Pennsylvania

As Pennsylvania approaches FY'92, it faces a $2.5 billion deficit, $800 million in FY'91 and $1.7 billion estimated for FY'92. Governor Robert Casey announced a plan to use the Pennsylvania Industrial Development Authority to refinance bonds that would enable the transfer of $180 million to the state's general fund. The governor has also proposed to increase the corporate income tax rate from 8.5 percent to 10.5 percent, raise cigarette excises, broaden the sales tax base to include items such as cable television and interstate phone calls, and increase other miscellaneous taxes. The potential revenues from this tax package are estimated at $1.7 billion in FY'92. Top fiscal priorities for the next year include children's social service programs, education, and economic development.

Rhode Island

In the face of a $221 million deficit for FY'91, Governor Sundlun and the Rhode Island legislature have enacted a tax package that will increase personal and corporate income tax rates, continue indefinitely the higher sales and use tax, increase the motor fuel use tax rate, and reduce the stamp tax discount allowed to licensed cigarette distributors from 1.5 percent to 1.25 percent. The personal income tax rate was increased from 22.96 percent to 27.5 percent of federal income tax liability. The corporate income tax is subject to an 11 percent surtax, and the 7 percent sales and use tax will be continued indefinitely. The motor fuel excise tax has been increased from 21 cents to 26 cents. In addition to what these provisions do in FY'91, they are estimated to generate approximately $110.4 million in FY'92.

South Carolina

Governor Campbell of South Carolina opposed any tax increases for FY'92. Instead, the state will begin to phase in a tax reduction package that was adopted in FY'90. Major changes include reducing the lowest personal income tax bracket rate to 2.5 percent and repealing the capital gains exclusion. The changes will net an additional $3.3 million in FY'92 revenues. Other minor proposals include taxing admissions to sporting events and raising taxes on bingo. Education will be at the top of the list on the fiscal agenda in FY'92.

South Dakota

Since the South Dakota legislature was unable to pass a tax package in the final two days of the legislative session, Governor Mickelson's $1.4 billion budget bill for FY'92 signed in mid-March will go into effect July 1. Legislative leaders are now considering calling a special session to discuss the state budget and taxes. Both parties in the legislature want more money for education and property tax relief. However, the conflict arises when deciding how to raise the additional revenues. The Democrats want to implement a corporate income tax while the Republicans want to increase the state sales tax. Another possibility includes transferring money from the state's $20 million reserve.

Tennessee

Governor Ned McWherter of Tennessee has

recently signed four tax measures into law dealing with fuel taxes, severance taxes, sales and use taxes, and tax collections. Facing a $155 million deficit at the end of FY'91, the governor has also suggested revising several other taxes in FY'92. One major recommendation would impose a 4 percent state income tax on federal adjusted gross income. The current income tax rate, which applies only to income derived from interest and dividends, would be repealed. The governor also suggested that the state sales tax be reduced from 5.5 percent to 4 percent. The state would also mandate a maximum 2 percent local sales tax rate, whose base would be broadened to include the full price of a single item (currently limited to $1,600). The sales tax would also exempt food and water. These changes would increase net revenues by $703.1 million in FY'92.

Texas

To avoid an estimated $4.5 billion budget deficit in Texas for the 1992-93 biennium, Lt. Governor Bob Bullock has proposed a personal and corporate income tax. Currently, Texas does not impose personal or corporate income tax. The proposed 5 percent personal income tax would generate $2 billion in FY'92 revenues and an additional $6 billion in FY'93. An 8 percent corporate income tax would generate $400 million in FY'92. To offset these tax increases, the proposal offers two options to reduce the state sales tax. One proposal includes reducing the sales tax by a quarter of a cent, providing $335 million in relief, while the other proposal would reduce the tax by a half a cent, providing $670 million in tax relief. As an alternative to the governor's plan, some legislative leaders have proposed increasing the state sales tax to 7 percent and extending it to include professional services. Aside from the pressure to balance the budget, the state must comply with the state Supreme Court's order to reform the financing of public education.

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Utah

Utah is estimated to be in sound fiscal condition for FY'92 and anticipates a small budget surplus. The legislative session ended with relatively minor tax changes. A 3.5 cent hike in the cigarette tax to 26.6 cents per pack is estimated to raise an additional $3.6 million. Other notable changes include a restructuring of state property tax assessments and increasing drivers' license fees for $500,000 in additional revenue. The state also granted local jurisdictions the authority to levy a one percent restaurant tax on prepared foods. Medicaid and education spending are projected to outpace the growth in all other state spending in FY'92.

Vermont

In an effort to reduce a $50 million budget deficit, the Vermont legislature is considering a revenue raising package that includes higher taxes. The Senate's version of the bill would increase the personal income tax rate to 31 percent of federal tax liability for taxpayers earning between $35,000 and $90,000 and to 34 percent for those earning above $90,000. The current income tax rate of 28 percent, which was to sunset in 1991, would be retained. These new rates would decrease in 1994 and 1995. The bill also raises the sales tax from 4 percent to 5 percent and extends its taxable base to wine. In addition, the excise tax on cigarettes would be hiked 4 cents to 21 cents per pack. These increases alone are estimated to raise $63.6 million in FY'92. Other revenue measures include doubling the minimum tax on corporations to $150, increasing the bank franchise tax, and eliminating the use of state and local deductions in calculating corporate taxes. Working towards a sustainable level of spending and revenues will be the major focus of the governor and legislature in the coming fiscal year.

Virginia

In his proposed 1991 budget, Governor Wilder plans to address Virginia's $2.1 billion revenue shortfall by cutting aid to localities, implementing reductions in both agencies and state employee compensations, transferring lottery proceeds, and delaying certain bond and stock sales. The state will also rely on an additional $21 million of revenue generated from the federal Omnibus Reconciliation Act of 1990 to help balance the shortfall. The biennial budget

for FY1991-92 is projected to end with a $204 million surplus in unappropriated funds. The state's top fiscal priorities in FY'92 include spending for Medicaid, prisons, education, and environmental clean-up.

Washington

Washington expects a $390 million surplus in the general fund balance ending June 30, 1991. By retaining all interest on cash balances in the general fund, increasing user fees, improving collections, and accruing sales and business taxes, revenues have increased $300 million. Governor Gardner proposed spending the additional revenue on higher education and increasing the budget stabilization account. In FY'92, the state will increase salaries to stay competitive, increase user fees to cover costs of regulation, and avoid tax increases.

West Virginia

After extending its regular session by eight days, the legislature and governor of West Virginia finally agreed on a $1.963 billion budget for FY'92 that does not include any major tax increases. Legislative leaders have predicted that the state will need to borrow an additional $35 million to cover the $1,000 pay raises next year for public school teachers. The only tax increase approved in the regular session was a bill to impose the corporate net income tax and the business franchise tax to out-of-state financial institutions that do business in the state. This bill would generate $10 million in extra revenues for the state. Additionally, the corporate income tax rate and the natural gas severance rate will be reduced to 9.15 percent and 5 percent respectively due to sunset clauses in earlier legislation. The top priority for FY'92 will be adequate funding for Medicaid and the Public Employees Insurance Agency.

Wisconsin

Wisconsin Governor Tommy Thompson has put forth a budget for FY'92 with no tax increases. His recommendations to provide property tax relief involve cutting state aid to schools, broadening the sales and corporate income tax bases, increasing the pari-mutuel tax rate to 3.4 percent, and increasing fees. The legislature, however, has proposed alternative plans that would raise state taxes to fund increased school aid and provide property tax relief. One major proposal calls for increased state support of school costs by 21.75 percent to 66.75 percent by raising the general sales tax by one half percent to 5.5 percent, and increasing the top individual and corporate income tax rates by one percent. In response to criticism of his proposals, the governor has offered to provide an additional $40 million in state aid to public schools. This came after a recent revenue estimate that indicated $96 million of additional revenues would be available.

Wyoming

No significant tax changes are expected in Wyoming this year. The state anticipates a $41.5 million budget surplus which includes a budget reserve account. Education expenditures are expected to increase 20 percent, outpacing all other spending. The state's top fiscal priority in 1992 will be increased support for local education agencies.

District of Columbia

The D.C. City Council has proposed several changes to Mayor Sharon Pratt Dixon's $3.2 billion budget for FY'92. Major changes include retaining the city's public law school, funding for 350 additional police officers, and hiking the cigarette excise tax from 17 cents to 30 cents per pack. This increase in cigarette excises is projected to yield $5.2 million in additional revenues for FY'92. The Council has also approved the reduction in firefighter staff and other various recommendations by the mayor in the FY'91 budget. Spending for corrections are expected to increase 6 percent. The city's main priority in FY'92 will be balancing the budget.

The Tax Foundation, a nonprofit, nonpartisan research and public education organization, has been monitoring tax and fiscal activities at all levels of government since 1937.